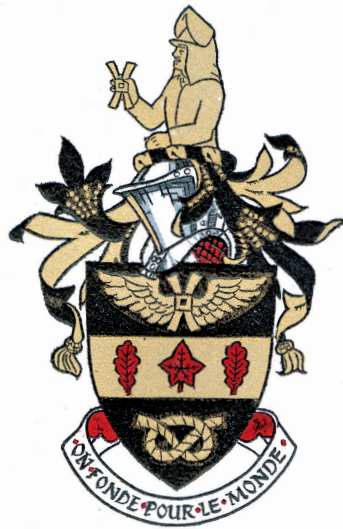


# GOODWIN PLC

IVY HOUSE FOUNDRY, HANLEY, STOKE-ON-TRENT



*125th Anniversary*  
1883 - 2008

DIRECTORS REPORT AND ACCOUNTS  
30<sup>th</sup> APRIL 2008

# GOODWIN PLC

[www.goodwin.co.uk](http://www.goodwin.co.uk)

Registered in England and Wales, Number 305907  
Established 1883

*Directors:*

J. W. Goodwin (*Chairman*)  
R. S. Goodwin (*Managing Director*)  
R. J. Dyer  
F. A. Gaffney  
J. Connolly  
M. S. Goodwin

*Secretary and registered office:*

Mrs. P. Ashley, B.A., A.C.I.S.  
Ivy House Foundry, Hanley,  
Stoke-on-Trent, ST1 3NR

*Registrar and share transfer office:*

Computershare Investor Services PLC,  
P.O. Box No. 82,  
Bristol, BS99 7NH

*Auditors:*

KPMG Audit Plc,  
2 Cornwall Street, Birmingham, B3 2DL

NOTICE IS HEREBY GIVEN that the SEVENTY THIRD ANNUAL GENERAL MEETING of the company will be held at 10.30 am on Wednesday, 5th November, 2008 at Crewe Hall, Weston Road, Crewe, Cheshire CW1 6UZ, for the purpose of considering and, if thought fit, passing the following resolutions:

1. To receive the report of the directors and the audited financial statements for the year ended 30th April, 2008 and to approve the payment of a dividend on the ordinary shares.
2. To re-elect Mr. F. A. Gaffney as a director.
3. To approve the directors' remuneration report for the year ended 30th April, 2008.
4. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to determine their remuneration.

By Order of the Board

Registered Office:  
Ivy House Foundry,  
Hanley, Stoke-on-Trent.  
29th August, 2008

P. ASHLEY  
*Secretary*

NOTES:

1. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the company. To be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the company not less than 48 hours before the time appointed for the holding of the meeting.
2. None of the directors have service contracts with the company.
3. If approved by shareholders the final dividend will be paid to shareholders on the 7th November, 2008.

# **GOODWIN PLC**

## **CHAIRMAN'S STATEMENT**

I am pleased to report annual pre-tax profits for the Group for the year to 30th April 2008 of £9.82 million (2007:£7.04 million), an increase of 39.4% on a revenue of £80.6 million (2007: £66.1 million) which is up 22% on the previous year. The directors propose that a dividend of 23.004p per share (2007:18.403p) be paid.

The above results were accomplished by the Group's continued high level of sales into the oil and gas markets as well as the power generation markets worldwide. The results also benefited from the profits of our new German valve manufacturing subsidiary, Noreva GmbH, which achieved £1.4 million pre-tax profits in its first full year of trading as part of the Group.

The new financial year commencing 1st May 2008 was started with order books that allow us to see our companies having the opportunity to contribute to a further improvement in the performance of the Group. Oil, gas, LNG and fossil fuel production and the building of new power stations to meet the ever-growing energy needs in countries with rising gross domestic products, together with a greater demand for our refractories used in energy conservation, have resulted in excellent utilisation of our manufacturing facilities and the Board expects this will continue to be the case.

Rising energy and metal alloy costs are well publicised internationally and to date we have been able to pass on these costs. Generally, down payments received from our customers have enabled the forward fixing of the alloy costs.

As a key performance indicator, the forward order book consists of projects with scheduled delivery dates in both 2009 and 2010. The Group's engineering companies' products are scheduled to play a major part in the reduction of carbon dioxide emissions. It is a fact that fossil fuelled power stations will continue to supply the majority of the world's electricity for many years. Utilising the cast components produced by Goodwin could potentially contribute, by 2020, to delivering power generation efficiency resulting in a reduction of 800 million tonnes of carbon dioxide emissions a year in China and India, based on these countries' anticipated output by that date. Our business is starting to supply other major fossil fuel power generators who wish to improve their efficiency by operating at higher temperatures with high temperature alloys. We also have current orders for items to be used in nuclear power generation facilities.

The strength of the Euro against Sterling now gives us an opportunity to develop increased business in Europe. The principal risks and uncertainties faced by the company relate to the possible substantial weakening in the strength of the US Dollar against Sterling, the US Dollar being the currency in which over 60% of the Group's worldwide turnover is traded. The diversification of the Group's products and markets assist in the minimising of any specific market turn down but, as with all manufacturing companies, a world depression would be unhelpful.

At the end of the financial year the company made its first investment in Brazil and is building a new manufacturing facility just north of Sao Paulo for investment lost wax casting powders, which will be sold throughout South America. This same facility will also be used to create a base for our valve and pump sales operations in Brazil.

The acquisition of SRS Holdings was completed at the end of June 2008, after the financial year end, and therefore financial information relating to this transaction will be recorded in the Group's results for the first half of the current financial year. The purchase of SRS Holdings will increase the efficiency of our worldwide investment casting powder operations, improve the utilisation of our existing facilities and assist the enlarged Group to expand sales through the cross fertilisation of technology.

Following completion of this acquisition, the Group will have a period of consolidation and will utilise profits to reduce the debt levels that have resulted from funding the increased debtors and work in progress which has arisen as a result of the Group's annual turnover increasing by £50 million in the past six years.

The Board again wishes to thank the employees for their never ending efforts in pushing the Group performance forward in this 125<sup>th</sup> year since the formation of the business.

22nd August, 2008

J. W. Goodwin  
*Chairman*

# GOODWIN PLC

## REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and audited financial statements for the year ended 30th April 2008.

### Business review

The principal activity of the Group is mechanical and refractory engineering. The consolidated results for the year may be summarised as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Revenue	<b>80,578</b>	66,075
Profit before taxation	<b>9,818</b>	7,042
Tax on profit	<b>(3,035)</b>	(2,198)
Profit after taxation	<b>6,783</b>	4,844

Comments on the results for the year including business review are given in the chairman's statement.

### Proposed dividends

The directors recommend that an ordinary dividend of 23.004p per share be paid to shareholders on the register at the close of business on 10th October, 2008 (2007: 18.403p per share).

### Freehold land and buildings

The directors consider that the market value of the Group's freehold land and buildings is in excess of the values disclosed in the Group balance sheet.

### Directors

The directors of the company who have served during the year are set out below.

J.W. Goodwin  
R.S. Goodwin  
R.J. Dyer  
F.A. Gaffney  
M.S. Goodwin  
J. Connolly

The director retiring in accordance with the Articles is F. A. Gaffney who, being eligible, offers himself for re-election.

The interests of each director in the share capital of the company are as follows:

	Number of 10p ordinary shares	
	<b>30th April</b>	30th April
	<b>2008</b>	2007
<i>Beneficial</i>		
J. W. Goodwin	<b>153,370</b>	153,370
R. S. Goodwin	<b>222,280</b>	232,834
J. W. Goodwin and R. S. Goodwin	<b>1,857,057</b>	1,835,949
J. W. Goodwin and R. S. Goodwin	<b>1,122,110</b>	1,122,110
R. J. Dyer	<b>14,750</b>	17,500
F. A. Gaffney	<b>7,131</b>	7,131
M. S. Goodwin	<b>265,928</b>	265,928
<i>Non-beneficial</i>		
J. W. Goodwin, R. S. Goodwin and others	-	221,648
J. W. Goodwin and E. M. Goodwin	<b>184,861</b>	195,415

There have been no further changes in the directors' interests between 30th April and 5th August, 2008.

No director has a service agreement with the company, nor any beneficial interest in the share capital of any subsidiary undertaking.

The company does not have any share option schemes for employees or directors.

### Shareholdings

The company has been notified that, as at 5th August, 2008, the following had an interest in 3% or more of the issued share capital of the company:

J. W. Goodwin and R. S. Goodwin 1,857,057 shares (25.79%), J. W. Goodwin and R. S. Goodwin 1,122,110 shares (15.59%). These shares are registered in the names of J. M Securities Ltd. and J. M. Securities (No. 3) Ltd. respectively. R. S. Goodwin 222,280 shares (3.09%), M. S. Goodwin 265,928 shares (3.69%), S. R. Goodwin 230,166 shares (3.20%), B. R. E. Goodwin 291,012 shares (4.04%), J. H. Ridley 511,667 shares (7.15%), D. J. Williams 246,240 shares (3.42%), L. R. Dean 240,000 shares (3.33%).

## **Share capital**

The company's issued share capital comprises a single class of share capital which is divided into ordinary shares of 10p each. Information concerning the issued share capital in the company is set out in note 19 to the financial statements.

All of the company's shares are ranked equally and the rights and obligations attaching to the company's shares are set out in the company's Articles of Association, copies of which can be obtained from Companies House in England and Wales or by writing to the Company Secretary.

There are no restrictions on the voting rights of shares and there are no restrictions in their transfer other than:

- certain restrictions as may from time to time be imposed by laws and regulations (for example insider trading laws); and
- pursuant to the Model Code whereby directors of the company require approval to deal in the company's shares

Additionally, the company is not aware of any agreements between shareholders of the company that may result in restrictions on the transfer of ordinary shares or voting rights.

The directors have not been given the authority to issue or buy back the shares of the company.

## **Donations**

The company made no political contributions during the year.

Donations by the Group for charitable purposes amounted to £16,977 (2007: £21,000).

## **Employee consultation**

The Group takes seriously its responsibilities to employees and, as a policy, provides employees systematically with information on matters of concern to them. It is also the policy of the Group to consult where appropriate, on an annual basis, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

## **Employment of disabled persons**

The policy of the Group is to offer the same opportunity to disabled people, and those who become disabled, as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out the duties required of them.

## **Creditor payment policy**

The company has not adopted any formal code or standards on supplier payment practice. The company's policy is to settle payments having negotiated and advised terms and conditions with suppliers on a contract by contract basis. The company has no trade creditors at 30th April 2008 (2007: Nil).

## **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Corporate governance**

### *Introduction*

The Board has always felt that it should be recognised that what may be appropriate for the larger company may not necessarily be so for the smaller company, a point raised previously in the Cadbury Code of Best Practice. The Board continues to be conscious of its non-compliance with certain aspects of the revised Code, as detailed below, but does not believe that at this stage in the Group's development and circumstances it is appropriate to change its own operational or governance structure just to gain compliance. As before, where it does not comply, the Board is happy to provide its explanations for not doing so on the basis that it believes that such non-compliance is more appropriate to the shareholders' and other stakeholders' long term interests.

### *Compliance statement*

The company is required to report on compliance with the detailed requirements of the Combined Code throughout the year. In relation to all of the provisions except those mentioned here the company complied throughout the period. Further details on all areas are given below.

The Group does not comply with aspects of the Code's requirements paragraphs A3, C2.1, B2.1 and A4.1, in terms of non-executive directors and the requirement for an Audit Committee, Remuneration Committee and Nominations Committee and senior independent director.

The roles of the chairman in running the Board and the Managing Director in running the Group's businesses are well understood. It is not considered necessary to have written job descriptions. This is contrary to paragraph A2.1. The Chairman and Managing Director do not retire by rotation, which is contrary to paragraph A7 of the Code.

There is no formal schedule of matters reserved for the Board, which is contrary to paragraph A1.1.

The Group does not have an internal audit function which is contrary to paragraphs C3.1 and C3.3.

### *The Board*

The Board, which comprises six executive directors, meets formally by itself and with subsidiary directors on a regular basis. In view of the Group's present size and proven track record, non-executive directors are not thought to be appropriate, due to the cost likely to be involved and the lack of opportunity for adding significant value to the business. The Chairman and Managing Director do not retire by rotation. With this exception, all directors retire at the first AGM after their initial appointment and then by rotation at least every three years.

During the year, the Board met formally 7 times. Details of attendees at these meetings are set out below:

J. W. Goodwin	...	...	...	...	6 out of 7 attended
R. S. Goodwin	...	...	...	...	6 out of 7 attended
R. J. Dyer	...	...	...	...	6 out of 7 attended
F. A. Gaffney	...	...	...	...	7 out of 7 attended
M. S. Goodwin	...	...	...	...	7 out of 7 attended
J. Connolly	...	...	...	...	7 out of 7 attended

Regular informal meetings are also held to enable all members of the Board to discuss relevant issues with local management and staff at the business units.

The Board retains full responsibility for the direction and control of the Group and, whilst there is no formal schedule of matters reserved for the Board, all acquisitions and disposals of assets, investments and material capital-related projects are, as a matter of course, specifically reserved for Board decision.

### *Board evaluation*

The Chairman and Managing Director address the development and training needs of the Board as a whole. An evaluation of the effectiveness and performance of the Board and the subsidiary directors has been carried out by the Chairman and Managing Director, by way of personal discussions and individual performance evaluation against financial targets.

All directors have reasonable access to the Company Secretary and to independent professional advice at the Company's expense.

### *Board Committees*

The Board has not operated a separate Audit Committee, Remuneration Committee or Nomination Committee during the year due to its size and composition. However, the Board as a whole has fulfilled many of the roles specified in the revised Combined Code for these sub-committees including:

- review of the interim and annual financial statements and associated announcements;
- making recommendations in relation to the re-appointment, remuneration and terms of engagement of the external auditors;
- reviewing the external auditors' work plan, audit process, independence and objectivity;
- reviewing the need for an internal audit function;
- reviewing the "whistle-blowing" procedures.

### *Internal control*

The Board has overall responsibility for the Group's system of internal control (including operational, financial, compliance and risk management controls), which is designed to manage rather than eliminate risk and provides only reasonable reassurance against material misstatement or loss. Except as noted in this Corporate Governance report, the Board confirms that the system of internal control accords with the Combined Code.

The Board meets with an agenda to discuss corporate strategy, to formulate and monitor the progress of business plans for all subsidiaries and to identify, evaluate and manage the business risks faced. The management philosophy of the Group is to operate its subsidiaries on an autonomous basis, subject to overall supervision and evaluation by the Board, with formally defined areas of responsibility and delegation of authority. The Group has put in place formal lines of reporting with subsidiary management meeting with the directors on a regular basis.

The Board considers that the close involvement of the Company's directors in all areas of the day to day operations of the Group's business represents the most effective ongoing control over its financial and business risks. In particular, authority is limited to the company directors in key risk areas such as treasury management, capital expenditure and other investment decisions. The directors annually review the effectiveness of the internal financial control system including considering reports from management; discussions with senior personnel throughout the Group; and consideration by the Board of any reports from the external auditor. These procedures have been in place throughout the year and up to the date of this report and accord with the Turnbull Guidance.

### *Corporate governance*

Given the close involvement of the company's directors in the operation of the business, the Board does not currently consider that a formal review of non-financial controls would provide any additional benefit in their review of the effectiveness of the Group's internal controls.

The Group does not have an internal audit function. This is presently considered appropriate given the size and complexity of the Group and the close involvement of executive directors and senior management on a day to day operational basis, however, the need for an internal audit function is kept under constant review.

### *Directors' remuneration*

The remuneration of the directors is considered by the Board so that no director determines his own salary. Details of each element of the directors' remuneration are given in the directors' remuneration report on page 8.

### *External audit*

The external auditors are appointed annually at the annual general meeting. The Board considers the re-appointment of the auditors, and assesses on an annual basis the qualification, expertise, cost, independence and objectivity of the external auditor. In addition, the Board regularly monitors the level of non-audit services provided to the Group by the external auditor to ensure that their independence is not compromised.

#### *Shareholder relations*

All shareholders are encouraged to participate in the company's annual general meeting.

The Board complies with the recommendations of the Combined Code that the notice of the annual general meeting and related papers should be sent to shareholders at least twenty working days before the meeting.

The directors attend the annual general meeting. The Chairman will be available to answer questions at the forthcoming annual general meeting. In addition, proxy votes will be counted and the results announced after any vote on a show of hands.

The Chairman ensures that the views of shareholders are communicated to the Board as a whole, ensuring that directors develop an understanding of the view of major shareholders.

#### *Going concern*

After making enquiries, the directors have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

Approved by the board of directors and signed on its behalf by:

J. W. GOODWIN  
*Chairman*

Ivy House Foundry,  
Hanley, Stoke-on-Trent,  
ST1 3NR  
22nd August, 2008

# GOODWIN PLC

## DIRECTORS' REMUNERATION REPORT

### Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations.

### Consideration by the directors of matters relating to directors' remuneration

The remuneration policy is set by the Board as a whole and is described below.

### Remuneration policy

The Group's policy in respect of directors' remuneration for the forthcoming years is to provide individual packages which are determined having due regard to the company's current and projected profitability, the employee's specific areas of responsibility and performance, their related knowledge and experience in the company's specific fields of operation, the external labour market and their personal circumstances whereby the Board sets a package to remunerate and motivate the individual so as to best serve the company. All Board members have access to independent advice when considered appropriate. In forming its policy, the Board has given full consideration to the Combined Code's best practice provisions on remuneration policy, service contracts and compensation and has considered the remuneration levels of directors of comparative companies.

The Board does not, at present, consider it necessary to include a performance related element within the remuneration of individual directors.

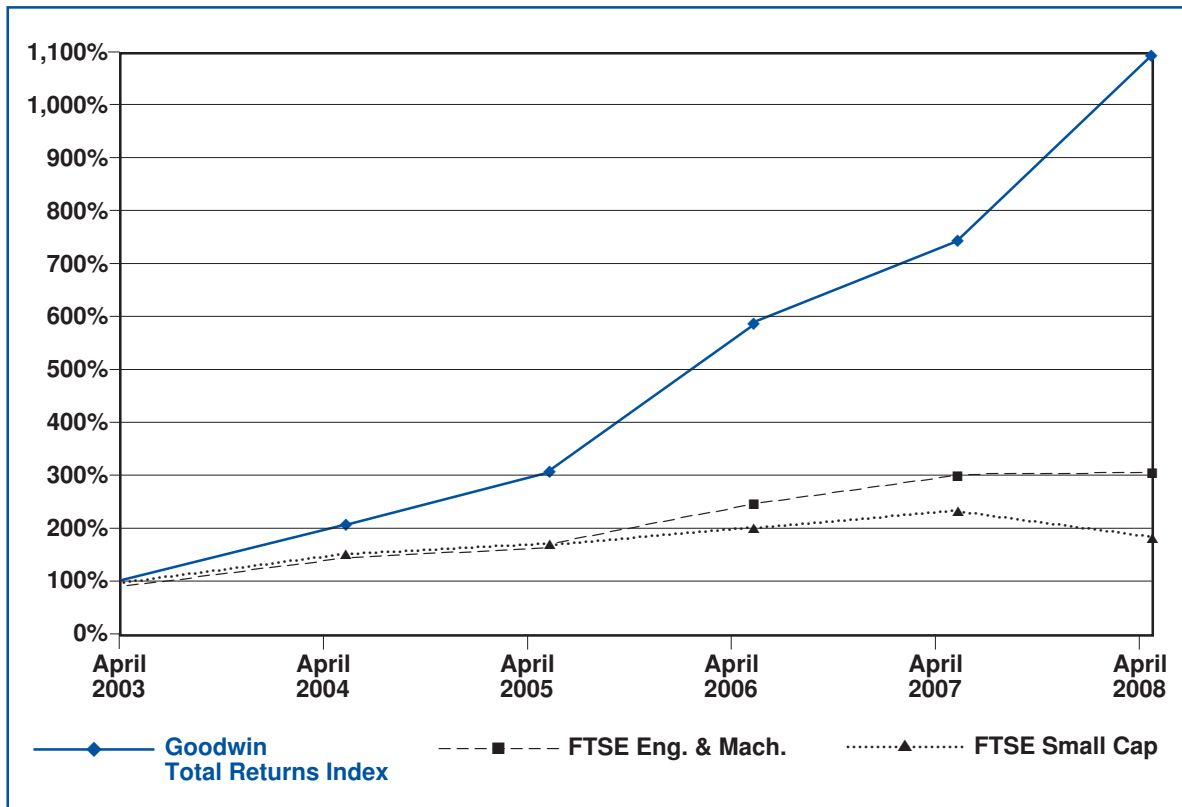
### Service contracts

None of the directors has a service contract, a director may resign at any time by notice in writing to the Board. There are no set minimum notice periods but all directors other than the Chairman and Managing Director are subject to retirement by rotation. No compensation is payable to directors on leaving office.

### Total shareholder return

The following graph compares the company's total shareholder return over the five years ended 30th April 2008 with that for the FTSE Small-Cap share index and the FTSE Engineering and Machinery Sector Index.

The FTSE Small-cap Share Index was chosen as it is a relevant broad equity market index for smaller quoted companies.





## DIRECTORS' REMUNERATION REPORT *(continued)*

### Details of individual emoluments and compensation

The auditors are required to report on the information contained in this section of the directors' remuneration report.

	<b>Salary</b>	<b>Benefits in kind</b>	<b>Total</b>	Total	<b>Pension contrib- utions 2008</b>	Pension contrib- utions 2007
	<b>2008</b>	<b>2008</b>	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	<b>£'000</b>	£'000
J. W. Goodwin	227	34	261	227	11	11
R. S. Goodwin	227	34	261	227	11	11
R. J. Dyer	127	1	128	118	-	-
F. A. Gaffney	157	1	158	140	-	-
J. Connolly (appointed 21st December, 2006)	110	15	125	38	-	-
M. S. Goodwin (appointed 21st December, 2006)	97	1	98	30	-	-
	<b>945</b>	<b>86</b>	<b>1,031</b>	780	<b>22</b>	22
2007	704	76	780			

Pension contributions comprise contributions to money purchase pension schemes.

Benefits in kind consist of the provision of a fully-expensed motor vehicle or cash alternative scheme and healthcare insurance.

There are no share option schemes or other long term incentive schemes.

### Approval of report

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming annual general meeting.

The directors' remuneration report was approved by the Board on 22nd August, 2008, and is signed on its behalf by:

J. W. GOODWIN  
*Director*

R. S. GOODWIN  
*Director*

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company and of the profit or loss of the parent company for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' Responsibility Statement**

We confirm that to our best knowledge:

- a) the financial statements prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and Group; and
- b) the management report incorporated into and referenced from the Directors' Report includes a fair review of the development and performance of the business and position of the Company and the Group, together with a description of the principal risks and uncertainties they face.

J. W. GOODWIN  
*Director*

R. S. GOODWIN  
*Director*

## **INDEPENDENT AUDITOR'S REPORT**

to the Members of  
**GOODWIN PLC**

We have audited the Group and parent company financial statements (the "financial statements") of Goodwin PLC for the year ended 30th April 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

### **Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30th April 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30th April 2008
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

22nd August, 2008

KPMG Audit Plc  
Birmingham  
Chartered Accountants  
Registered Auditor

# GOODWIN PLC

## CONSOLIDATED INCOME STATEMENT

For the year ended 30th April, 2008

	Notes	2008 £'000	2007 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue ... ..	1, 2 & 3	<b>80,578</b>	66,075
Cost of sales ... ..		<b>(58,201)</b>	(50,135)
<b>GROSS PROFIT</b> ... ..		<b>22,377</b>	15,940
Distribution costs ... ..		<b>(2,842)</b>	(1,903)
Administrative expenses ... ..	2	<b>(8,873)</b>	(6,279)
<b>OPERATING PROFIT</b> ... ..	4	<b>10,662</b>	7,758
Financial expenses ... ..	6	<b>(844)</b>	(716)
<b>PROFIT BEFORE TAXATION</b> ... ..		<b>9,818</b>	7,042
Tax ... ..	7	<b>(3,035)</b>	(2,198)
<b>PROFIT AFTER TAXATION</b> ... ..		<b>6,783</b>	4,844
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent ... ..	19	<b>6,562</b>	4,687
Minority interest ... ..	19	<b>221</b>	157
<b>PROFIT FOR THE YEAR</b> ... ..		<b>6,783</b>	4,844
<b>BASIC AND DILUTED EARNINGS PER ORDINARY SHARE</b> ... ..	8	<b>91.14p</b>	65.10p

# GOODWIN PLC

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30th April, 2008

	Note	2008 £'000	2007 £'000
Foreign exchange translation differences ... ..		109	9
Effective portion of changes in fair value of cash flow hedges ... ..		(1,218)	589
Change in fair value of cash flow hedges transferred to profit or loss ... ..		(838)	(935)
Tax recognised on income and expenses recognised directly in equity ... ..		595	104
<b>NET EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		<b>(1,352)</b>	<b>(233)</b>
<b>PROFIT FOR THE YEAR</b> ... ..		<b>6,783</b>	<b>4,844</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE</b> ... ..	19	<b>5,431</b>	<b>4,611</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD IS ATTRIBUTABLE TO:</b>			
Equity holders of the parent ... ..	19	5,210	4,454
Minority interest ... ..	19	221	157
		<b>5,431</b>	<b>4,611</b>

# GOODWIN PLC

## CONSOLIDATED BALANCE SHEET

At 30th April, 2008

	Notes	2008 £'000	2007 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	16,376	13,305
Intangible assets	11	5,331	5,050
		<b>21,707</b>	<b>18,355</b>
<b>CURRENT ASSETS</b>			
Inventories	14	15,038	14,367
Trade and other receivables	15	20,620	15,997
Derivative financial assets		154	1,189
Cash and cash equivalents	16	1,812	412
		<b>37,624</b>	<b>31,965</b>
<b>TOTAL ASSETS</b>		<b>59,331</b>	<b>50,320</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft	16	1,532	2,493
Other interest-bearing loans and borrowings	17	2,549	5,626
Trade and other payables	18	23,552	16,598
Derivative financial liabilities		1,873	–
Liabilities for current tax		1,613	1,303
		<b>31,119</b>	<b>26,020</b>
<b>NON-CURRENT LIABILITIES</b>			
Other interest-bearing loans and borrowings	17	830	1,280
Deferred consideration	18	1,607	1,509
Deferred tax liabilities	13	968	1,395
		<b>3,405</b>	<b>4,184</b>
<b>TOTAL LIABILITIES</b>		<b>34,524</b>	<b>30,204</b>
<b>NET ASSETS</b>		<b>24,807</b>	<b>20,116</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	19	720	720
Translation reserve	19	142	33
Cash flow hedge reserve	19	(777)	684
Retained earnings	19	23,447	18,210
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>23,532</b>	<b>19,647</b>
<b>MINORITY INTEREST</b>	19	<b>1,275</b>	<b>469</b>
<b>TOTAL EQUITY</b>		<b>24,807</b>	<b>20,116</b>

These financial statements were approved by the Board of directors on 22nd August, 2008 and signed on its behalf by:

J. W. GOODWIN  
Director

R. S. GOODWIN  
Director

# GOODWIN PLC

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th April, 2008

	Notes	2008 £'000	2007 £'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit from continuing operations after tax	...	6,783	4,844
<i>Adjustments for:</i>			
Depreciation	...	1,831	1,495
Amortisation of intangible assets	...	458	101
Financial expense	...	844	716
Loss on sale of property, plant and equipment	...	7	9
Tax expense	...	3,035	2,198
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS</b>		<b>12,958</b>	<b>9,363</b>
Increase in trade and other receivables	...	(3,428)	(2,910)
Increase in inventories	...	(213)	(1,736)
Increase/(decrease) in trade and other payables (excluding payments on account)	...	2,989	(597)
Increase in payments on account	...	2,199	1,793
<b>CASH GENERATED FROM OPERATIONS</b>		<b>14,505</b>	<b>5,913</b>
Interest paid	...	(684)	(657)
Corporation tax paid	...	(2,557)	(1,768)
Interest element of finance lease obligations	...	(62)	(59)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>11,202</b>	<b>3,429</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment	...	12	25
Acquisition of property, plant and equipment	...	(3,245)	(2,403)
Acquisition of intangible assets	...	(594)	(880)
Acquisition of subsidiary net of cash acquired	... 26	(145)	(2,739)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(3,972)</b>	<b>(5,997)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of capital element of finance lease obligations	...	(518)	(382)
Dividends paid	...	(1,325)	(1,100)
(Repayment of)/proceeds of loans	...	(3,056)	5,000
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(4,899)</b>	<b>3,518</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,331</b>	<b>950</b>
Opening cash and cash equivalents	...	(2,081)	(3,024)
Effect of exchange rate fluctuations on cash held	...	30	(7)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>280</b>	<b>(2,081)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

Goodwin PLC (the "Company") is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 36 to 40.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

#### New IFRS standards and interpretations adopted during 2008

In 2008, the following standards became effective and were adopted by the Group.

- IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 presentation of financial statements: Capital Disclosures.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2 Share-based Payments
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The adoption of these standards has not had a significant impact on the results of the Group in 2008 but additional disclosures have been provided in compliance with IFRS 7 and IAS 1.

#### Measurement convention

The financial statements are rounded to the nearest thousand pounds.

The financial statements are based on the historical cost basis except where the measurement of balances at fair value is required as below.

#### Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement within operating profit.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are released into the income statement upon disposal of the foreign operation.

The Group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS (1 May 2005).

#### Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand including cash deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.



## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### **Trade receivables**

Trade receivables do not carry interest and are initially recognised at fair value and are subsequently measured at their amortised cost using the effective interest method where material as reduced by allowances for impairment when there is objective evidence of impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an impairment account and any impairment loss is recognised in the income statement.

### **Recognition and valuation of equity instruments**

Equity instruments are stated at par value. For ordinary share capital, the par value is recognised in share capital. Premiums on issue are taken to a share premium reserve.

### **Recognition and valuation of financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

### **Bank borrowings**

Interest bearing bank overdrafts are initially recorded at their fair value. They are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in the income statement over the term of the instrument using an effective rate of interest. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

### **Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

### **Derivative financial instruments and hedging**

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. For derivatives that do not form part of a designated hedge relationship, the gain or loss on re measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is equal to the present value of the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the non-financial asset or liability.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### Property, plant and equipment (continued)

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold Land	...	...	...	...	Nil
Freehold buildings	...	...	...	...	2% or 2.5% on cost
Leasehold property	...	...	...	...	over period of lease
Plant and machinery	...	...	...	...	10% to 25% on reducing balance or cost
Motor vehicles	...	...	...	...	15% or 25% on reducing balance
Tooling	...	...	...	...	over estimated production life
Fixtures and fittings	...	...	...	...	25% reducing balance

Assets under the course of construction are not depreciated.

### Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1st May 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1st May 2005, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

Negative goodwill arising on an acquisition is recognised in profit or loss.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs 5 years
- Manufacturing rights 6-10 years
- Valve brand name/valve design 15 years
- Valve order book 1 year
- Vermiculite brand name/customer list 8 years
- South American manufacturing rights 6 years

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Results attributable to the stage completion of a long term contract are recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus the attributable result, less amounts recognised in previous periods. Provision is made for any losses as soon as they are foreseen.

### Put option in respect of a minority interest in a subsidiary

Where the Group has through a put option an obligation to purchase shares in a subsidiary from a minority interest, a financial liability is recognised for the present value of the estimated consideration payable under the put option and the minority interest is not recognised.

At each reporting date, changes in the carrying amount of the liability arising from variations in the estimated fair value of the purchase consideration (excluding the effect of the unwinding of the discount, which is accounted for as a financial expense) are recognised by adjusting the carrying amount of the goodwill recognised on initial recognition of the business combination.

### Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### **Impairment** *(continued)*

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 1st May 2005, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

#### *Reversals of impairment*

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Revenue**

Revenue represents the amounts (excluding value added taxes and other sales taxes) derived from the provision of goods and services (including long term contracts) and as adjusted by foreign exchange gains or losses to external customers.

Revenue on long term contracts is stated at the cost appropriate to the stage of completion plus the attributable result, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen. Stages of completion are judged by reference to milestones set out within the contract and the judgement of senior management. Of the total revenue for the year, around £2.5 million was from contract revenue (*2007: £2.3 million*).

### **Expenses**

#### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Financial expenses*

Financial expenses comprise interest payable and interest on finance leases.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

### **Pension costs**

The Group contributes to a number of defined contribution pension schemes for certain senior employees. The assets of these schemes are held in independently administered funds. Group pension costs are charged to the income statement in the year for which contributions are paid.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Adopted IFRS not yet applied

A number of new standards, amendments to standard and inter presentations are not yet effective for the year ended 30th April 2008 and have not been applied in preparing these consolidated financial statements. The adoption of these standards is not expected to have any impact on the financial statements.

### 2. Revenue and administration expenses

Exchange gains and losses resulting from the translation of foreign currencies were previously included in administrative expenses. The directors consider it more appropriate to show such movements in revenue.

The April 2007 figures have been restated in order that the figures are presented on the same basis year on year resulting in an increase in revenue and administrative expenses of £761,000 in the prior year.

### 3. Segmental analysis

Segment information is presented in respect of the Group's business and geographic segments. The primary format business segment is based on the Group's management and internal reporting structure.

#### Business segment

The Group has one significant primary trading activity that of mechanical and refractory engineering so no further analysis is provided.

#### Geographical segments

The Group is managed as one business but operates in the following principal locations.

In presenting the information on geographical segments, revenue is based on the location of its customers and assets on the location of the assets. Capital expenditure includes the purchase of tangible fixed assets but not intangible assets.

	2008	2007		2008	2007
	Revenue	Operational	Capital	Revenue	Operational
	£'000	assets	expenditure	£'000	assets
		£'000	£'000		£'000
				Capital	expenditure
				£'000	£'000
UK ... ..	15,325	20,622	4,077	12,761	18,060
Rest of Europe ... ..	21,686	936	401	9,966	545
USA ... ..	7,084	-	-	4,610	-
Pacific Basin ... ..	16,123	1,288	86	27,791	868
Rest of world ... ..	20,360	1,961	209	10,947	683
Total ... ..	<u>80,578</u>	<u>24,807</u>	<u>4,773</u>	66,075	<u>20,156</u>
					3,142

### 4. Expenses and auditors' remuneration

Included in profit before taxation are the following:

	2008	2007
	£'000	£'000
Depreciation:		
Owned assets ... ..	1,641	1,326
Assets held under finance lease ... ..	190	169
Amortisation of intangible assets ... ..	458	101
Loss on sale of property, plant and equipment ... ..	7	9
Operating lease rentals:		
Short term plant hire ... ..	333	130
Write down of inventories ... ..	-	118
Impairment of trade receivables ... ..	14	26
Foreign exchange loss/(gain) ... ..	53	(721)
Fees receivable by the auditors and their associates in respect of:		
Audit of these financial statements ... ..	16	15
Audit of the financial statements of subsidiaries ... ..	70	49
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Group ... ..	-	4
Other services relating to taxation ... ..	47	79

### 5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
Works personnel ... ..	681	652
Administration staff ... ..	36	35
	<u>717</u>	<u>687</u>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries ... ..	17,897	15,013
Social security costs ... ..	1,639	1,526
Other pension costs ... ..	25	22
	<u>19,561</u>	<u>16,561</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

<b>6. Financial expenses</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Interest expense on finance leases ... ..	<b>62</b>	59
Unwinding of discount on deferred and contingent consideration ... ..	<b>98</b>	–
Interest expense on bank loans and overdrafts ... ..	<b>684</b>	657
	<hr/>	<hr/>
Financial expenses ... ..	<b>844</b>	716
	<hr/>	<hr/>

**7. Taxation**

<b>Recognised in the income statement</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
<i>Current tax expense</i>		
Current year ... ..	<b>3,021</b>	2,071
Adjustments for prior years ... ..	<b>6</b>	55
	<hr/>	<hr/>
	<b>3,027</b>	2,126
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences – current year ... ..	<b>112</b>	133
Origination and reversal of temporary differences – prior years ... ..	<b>(104)</b>	(61)
	<hr/>	<hr/>
Total tax in income statement ... ..	<b>3,035</b>	2,198
	<hr/>	<hr/>

<b>Reconciliation of effective tax rate</b>	<b>£'000</b>	£'000
Profit before tax ... ..	<b>9,818</b>	7,042
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 29.84% (2007: 30%) ... ..	<b>2,930</b>	2,113
Non-deductible expenses ... ..	<b>221</b>	19
Over provided in prior years ... ..	<b>(98)</b>	(6)
Tax offset against brought forward losses ... ..	<b>(25)</b>	–
Losses not utilised ... ..	<b>7</b>	72
	<hr/>	<hr/>
Total tax in income statement ... ..	<b>3,035</b>	2,198
	<hr/>	<hr/>

**Deferred tax recognised directly in equity**

The following amounts are included in the consolidated statement of recognised income and expense:

	<b>£'000</b>	£'000
Cash flow hedge deferred tax credit ... ..	<b>595</b>	104
	<hr/>	<hr/>

**8. Earnings per share**

The earnings per ordinary share has been calculated on profit for the year attributable to ordinary shareholders of £6,562,000 (2007: £4,687,000) and by reference to the 7,200,000 ordinary shares in issue throughout both years.

The company has no share options or other diluting interests and accordingly, there is no difference in the calculation of diluted earnings per share.

**9. Dividends**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Final dividends paid during the year in respect of prior years		
18.403p (2007: 15.278p) per qualifying ordinary share ... ..	<b>1,325</b>	1,100
	<hr/>	<hr/>

After the balance sheet date dividends of 23.004p per qualifying ordinary share (2007: 18.403p) were proposed by the directors. The dividends totalling £1,656,000 have not been provided for.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**10. Property, plant and equipment**

	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>						
At 1st May 2006 ... ..	3,136	47	18,138	1,761	–	23,082
Additions ... ..	199	3	1,748	104	630	2,684
Acquisition of subsidiary... ..	–	3	603	30	–	636
Other acquisitions ... ..	–	–	–	–	420	420
Disposals ... ..	–	–	(95)	–	–	(95)
Exchange adjustments ... ..	(24)	–	(11)	(2)	–	(37)
At 30th April 2007 ... ..	3,311	53	20,383	1,893	1,050	26,690
At 1st May 2007 ... ..	3,311	53	20,383	1,893	1,050	26,690
Additions ... ..	2,472	161	1,768	372	–	4,773
Reclassification ... ..	630	–	420	–	(1,050)	–
Disposals ... ..	–	–	(79)	–	–	(79)
Effect of movements in foreign exchange ... ..	25	1	122	9	–	157
At 30th April 2008 ... ..	6,438	215	22,614	2,274	–	31,541
<b>Depreciation</b>						
At 1st May 2006 ... ..	739	29	9,980	1,216	–	11,964
Charged in year ... ..	76	3	1,285	131	–	1,495
Disposals ... ..	–	–	(62)	–	–	(62)
Exchange adjustment ... ..	(4)	–	(7)	(1)	–	(12)
At 30th April 2007 ... ..	811	32	11,196	1,346	–	13,385
At 1st May 2007 ... ..	811	32	11,196	1,346	–	13,385
Charged in year ... ..	128	5	1,508	190	–	1,831
Disposals ... ..	–	–	(59)	–	–	(59)
Exchange adjustment ... ..	(3)	–	10	1	–	8
At 30th April 2008 ... ..	936	37	12,655	1,537	–	15,165
<b>Net book value</b>						
At 1st May 2006 ... ..	2,397	18	8,158	545	–	11,118
At 30th April 2007 & 1st May 2007	2,500	21	9,187	547	1,050	13,305
<b>At 30th April 2008 ... ..</b>	<b>5,502</b>	<b>178</b>	<b>9,959</b>	<b>737</b>	<b>–</b>	<b>16,376</b>

**Leased plant and machinery**

At 30th April 2008 the net carrying amount of leased plant and machinery was £1,677,000 (2007: £1,816,000). The leased equipment secures lease obligations (see note 17).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Intangible assets

	Goodwill £'000	Valve brand name £'000	Vermiculite customer list and brand name £'000	Valve order book £'000	Manu- facturing rights £'000	Develop- ment costs £'000	Total £'000
<b>Cost</b>							
Balance at 1st May 2006 ...	187	-	-	-	140	201	528
Acquisition of subsidiary ...	1,014	2,776	-	127	-	-	3,917
Other additions ...	-	-	880	-	-	-	880
Balance at 30th April 2007 ...	1,201	2,776	880	127	140	201	5,325
Acquisition of subsidiary ...	145	-	-	-	-	-	145
Other additions ...	-	-	-	-	594	-	594
Balance at 30th April 2008 ...	1,346	2,776	880	127	734	201	6,064
<b>Amortisation</b>							
Balance at 1st May 2006 ...	-	-	-	-	14	160	174
Amortisation for the year ...	-	-	46	-	14	41	101
Balance at 30th April 2007 ...	-	-	46	-	28	201	275
Amortisation for the year ...	-	185	110	127	36	-	458
Balance at 30th April 2008 ...	-	185	156	127	64	201	733
<b>Net book value</b>							
At 1st May 2006 ...	187	-	-	-	126	41	354
At 30th April 2007 ...	1,201	2,776	834	127	112	-	5,050
<b>At 30th April 2008</b> ...	<b>1,346</b>	<b>2,591</b>	<b>724</b>	<b>-</b>	<b>670</b>	<b>-</b>	<b>5,331</b>

The acquired goodwill represents technical know-how arising from the purchase of Noreva GmbH - see note 26.

**Amortisation and impairment charge**

The amortisation charge is recognised in the following line items in the income statement:

	2008 £'000	2007 £'000
Cost of sales	458	101

**Impairment testing for cash generating units containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the relevant subsidiary which is the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are:

	2008 £'000	2007 £'000
Easat Antennas Limited ...	60	60
Goodwin India Private Limited ...	108	108
Goodwin Alloy Products Limited ...	19	19
Noreva GmbH ...	1,159	1,014
	<b>1,346</b>	<b>1,201</b>

The recoverable amount of the goodwill allocated to cash generating units is based on value in use calculations. The calculations use cash flow projections based on actual operating results and budget growth rate forecasts extrapolated over the minimum expected life span of the unit and discounted at appropriate rates considering the perceived levels of risk, ranging from 7-15%. The directors have concluded that there has been no impairment during the year.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**12. Investments in subsidiaries**

The Group has the following principal subsidiaries:

	<b>Country of incorporation</b>	<b>Class of shares held</b>	<b>% held</b>
Goodwin International Limited ... ..	Great Britain	Ordinary	<b>100</b>
		Preference	<b>100</b>
Goodwin Steel Castings Limited ... ..	Great Britain	Ordinary	<b>100</b>
Hoben International Limited ... ..	Great Britain	Ordinary	<b>100</b>
		Preference	<b>100</b>
Hoben Industrial Minerals Limited ... ..	Great Britain	Ordinary	<b>100</b>
Easat Antennas Limited ... ..	Great Britain	Ordinary	<b>90.5</b>
Internet Central Limited ... ..	Great Britain	Ordinary	<b>82.5</b>
Goodwin Alloy Products Limited ... ..	Great Britain	Ordinary	<b>100</b>
Noreva GmbH ... ..	Germany	Ordinary	<b>75*</b>

All of the companies are involved in mechanical and refractory engineering except Internet Central which although an internet service provider is key to supplying the mechanical and refractory engineering companies with communication facilities.

\*Whilst Noreva is a 75% owned subsidiary the company has been treated as a 100% subsidiary by virtue of there being both put and call options in place for the remaining 25% of the share capital.

**13. Deferred tax liabilities**

Deferred tax liabilities are attributable to the following:

	<b>Liabilities</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Property, plant and equipment ... ..	<b>1,270</b>	1,102
Derivative financial instruments ... ..	<b>(302)</b>	293
	<b>968</b>	1,395

**Movement in deferred tax during the year**

	1st May 2007	Recognised in income	Recognised in equity	<b>30th April 2008</b>
	£'000	£'000	£'000	£'000
Property, plant and equipment ... ..	1,102	168	–	<b>1,270</b>
Derivative financial instruments ... ..	293	–	(595)	<b>(302)</b>
	<b>1,395</b>	168	(595)	<b>968</b>

**Movement in deferred tax during the prior year**

	1st May 2006	Recognised in income	Recognised in equity	30th April 2007
	£'000	£'000	£'000	£'000
Property, plant and equipment ... ..	1,030	72	–	1,102
Derivative financial instruments ... ..	397	–	(104)	293
	<b>1,427</b>	72	(104)	1,395

The Group has not recorded a deferred tax asset of £76,000 (2007: £95,000) with respect to subsidiary losses. Whilst we remain confident that we will be able to utilise these losses in the future, it is deemed imprudent to recognise an asset at this stage.

**14. Inventories**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Raw materials and consumables ... ..	<b>7,527</b>	6,157
Work in progress ... ..	<b>6,065</b>	7,389
Finished goods ... ..	<b>1,446</b>	821
	<b>15,038</b>	14,367



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

<b>15. Trade and other receivables</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade receivables ... ..	<b>18,517</b>	15,229
Other receivables ... ..	<b>1,839</b>	523
Pre-payments ... ..	<b>264</b>	245
	<b>20,620</b>	15,997

<b>16. Cash and cash equivalents</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Cash and cash equivalents per balance sheet ... ..	<b>1,812</b>	412
Bank overdrafts ... ..	<b>(1,532)</b>	(2,493)
Cash and cash equivalents per cash flow statement	<b>280</b>	(2,081)

**17. Other interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Non-current liabilities</b>		
Finance lease liabilities ... ..	<b>397</b>	772
Bank loans ... ..	<b>433</b>	508
	<b>830</b>	1,280
<b>Current liabilities</b>		
Finance lease liabilities ... ..	<b>399</b>	495
Bank loans ... ..	<b>2,150</b>	5,131
	<b>2,549</b>	5,626

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	2008			2007		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year ... ..	433	34	399	554	59	495
Between one and five years ... ..	412	15	397	821	49	772
	<b>845</b>	<b>49</b>	<b>796</b>	1,375	108	1,267

<b>18. Trade and other payables</b>	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade payables ... ..	<b>13,229</b>	10,681
Non-trade payables and accrued expenses ... ..	<b>4,341</b>	1,988
Other taxation and social security costs ... ..	<b>1,168</b>	1,314
Payments received on account ... ..	<b>4,814</b>	2,615
	<b>23,552</b>	16,598

**Non-current liabilities**

Deferred consideration on acquisitions ... ..	<b>1,607</b>	1,509
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The deferred consideration relates to the remaining payments to be made in relation to the acquisition of Noreva GmbH. The liability has been calculated on the basis of payments being made at the earliest opportunity under the legal agreement as discounted to present values using an assumed cost of capital of 6.5%. The contingent consideration has been calculated on the most likely amount payable discounted to present values using an assumed cost of capital of 6.5%.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**19. Capital and reserves**

**Reconciliation of movement in capital and reserves**

	<b>Share capital £'000</b>	<b>Trans- lation reserve £'000</b>	<b>Cash flow hedging reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>	<b>Minority interest £'000</b>	<b>Total equity £'000</b>
Balance at 1st May 2006 ...	720	24	926	14,623	16,293	434	16,727
Total recognised income and expense ... ..	–	9	(242)	4,687	4,454	157	4,611
Dividends paid ... ..	–	–	–	(1,100)	(1,100)	(122)	(1,222)
<b>Balance at 30th April 2007</b>	<b>720</b>	<b>33</b>	<b>684</b>	<b>18,210</b>	<b>19,647</b>	<b>469</b>	<b>20,116</b>
Total recognised income and expense ... ..	–	109	(1,461)	6,562	5,210	221	5,431
Dividends paid ... ..	–	–	–	(1,325)	(1,325)	–	(1,325)
Acquisition of subsidiary ...	–	–	–	–	–	585	585
<b>Balance at 30th April 2008</b>	<b>720</b>	<b>142</b>	<b>(777)</b>	<b>23,447</b>	<b>23,532</b>	<b>1,275</b>	<b>24,807</b>

**Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

**Cash flow hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred.

The aggregate deferred tax relating to items that are recognised in equity is an asset of £302,000 (2007: a liability of £293,000).

**Share capital**

	<b>2008 £'000</b>	2007 £'000
<b>Authorised, allotted, called up and fully paid:</b>		
7,200,000 ordinary shares of 10p each ... ..	<b>720</b>	720

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**20. Financial risk management**

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices (interest rates, foreign exchange rates and commodity prices), credit risks, and liquidity. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance of the Group by using various instruments and techniques including currency and interest rate derivatives.

Risk management policies have been set by the Board and applied by the Group.

**a) Credit risk**

The Group's financial assets are cash and cash equivalents, trade and other receivables and derivative financial assets, the carrying amount of which represents the Group's maximum exposure to credit risk in relation to financial assets. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by International credit rating agencies. The following credit policy is applied:

- i) The majority of orders accepted by Group companies are taken with credit insurance coverage.
- ii) Some orders are accepted with no credit insurance but with letters of credit raised prior to despatch of goods.
- iii) Some orders are accepted with no credit insurance and no letter of credit but with internal analysis of the customer's size, credit worthiness, historic profitability and payment track record.
- iv) A few orders (less than 5% of turnover) are taken at risk following review by more than two Board members.
- v) Major orders are normally accompanied by stage payments which go towards mitigating our credit risk.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**20. Financial risk management** *(continued)*

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Carrying amount</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade and other receivables (excluding prepayments) ... ..	<b>20,356</b>	15,752
Cash and cash equivalents ... ..	<b>1,812</b>	412
Financial assets ... ..	<b>154</b>	1,189
	<b>22,322</b>	17,353

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	<b>Carrying amount</b>	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
UK ... ..	<b>2,597</b>	3,489
Rest of Europe ... ..	<b>5,122</b>	3,594
USA ... ..	<b>1,374</b>	1,544
Pacific Basin ... ..	<b>4,737</b>	3,160
Rest of World ... ..	<b>4,687</b>	3,442
	<b>18,517</b>	15,229

The ageing of trade receivables that were past due but not impaired at the reporting date were:

	<b>Net 2008 £'000</b>	<b>Gross 2008 £'000</b>	<b>Impairment 2008 £'000</b>	Net 2007 £'000	Gross 2007 £'000	Impairment 2007 £'000
Not past due ... ..	<b>16,360</b>	<b>16,360</b>	-	13,067	13,067	-
Past due 1-30 days ... ..	<b>714</b>	<b>714</b>	-	1,996	1,996	-
Past due 31-60 days ... ..	<b>900</b>	<b>900</b>	-	166	290	(124)
Past due more than 60 days	<b>543</b>	<b>1,123</b>	<b>(580)</b>	-	152	(152)
	<b>18,517</b>	<b>19,097</b>	<b>(580)</b>	15,229	15,505	(276)

There are no significant credit risks arising from financial assets that are neither past due nor impaired and management believe the credit quality of customers is good. The Group has not renegotiated the terms of any trade receivables and has not pledged any trade receivables as security.

The directors estimate that the fair value of the Group's trade and other receivables is not significantly different to the carrying value. The entirety of the impairment provision relates to trade receivables.

	<b>2008 £'000</b>	2007 £'000
An analysis of the provision for impairment of trade receivables is as follows:		
At beginning of year ... ..	<b>276</b>	83
Impairment loss for the year ... ..	<b>304</b>	193
At end of year ... ..	<b>580</b>	276

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**20. Financial risk management** *(continued)*

**b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

At the year end the Group had the following un-drawn facilities in respect of which all conditions precedent had been met:

	<b>On demand £'000</b>	<b>2008 Committed £'000</b>	<b>Total £'000</b>
Un-drawn borrowing facilities ... ..	<u>12,114</u>	<u>3,000</u>	<u>15,114</u>
	On demand £'000	2007 Committed £'000	Total £'000
Un-drawn borrowing facilities ... ..	<u>9,977</u>	-	<u>9,977</u>

The Group's principal borrowing facilities are provided by 3 banks in the form of borrowings and short term overdraft facilities. The quantum of borrowing facilities available to the Group is reviewed regularly in light of current working capital requirements and the need for capital reinvestment for the long term future for the Group.

**Maturity analysis**

The table below analyses the Group's financial liabilities into maturity groupings based on the period outstanding at the balance sheet date up to the contractual maturity date. All figures are contracted gross cashflows including estimated interest payments and excluding netting agreements that have not been discounted.

	<b>2008 Contractual cash flows</b>			<b>Carrying value 2008 Total £'000</b>
	<b>Within 1 year £'000</b>	<b>1-5 years £'000</b>	<b>Total £'000</b>	
<b>Non-derivative financial liabilities</b>				
Bank overdrafts ... ..	1,532	-	1,532	1,532
Bank loans ... ..	3,070	-	3,070	2,583
Finance leases ... ..	433	412	845	796
Trade and other payables ... ..	23,552	-	23,552	23,552
Deferred/contingent consideration on acquisitions	-	2,000	2,000	1,607
<b>Total</b> ... ..	<u>28,587</u>	<u>2,412</u>	<u>30,999</u>	<u>30,070</u>
<b>Derivative financial liabilities</b>				
Forward exchange contracts ... ..	<u>1,445</u>	<u>520</u>	<u>1,965</u>	<u>1,873</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**20. Financial risk management** *(continued)*

**Maturity analysis** *(continued)*

	2007			Carrying value 2007 Total £'000
	Contractual cash flows			
	Within 1 year £'000	1-5 years £'000	Total £'000	
<b>Non-derivative financial liabilities</b>				
Overdrafts ... ..	2,493	–	2,493	2,493
Bank loans ... ..	3,471	2,845	6,316	5,639
Finance leases ... ..	554	821	1,375	1,267
Trade and other payables ... ..	16,598	–	16,598	16,598
Deferred/contingent consideration on acquisitions	–	2,000	2,000	1,509
<b>Total</b> ... ..	<b>23,116</b>	<b>5,666</b>	<b>28,782</b>	<b>27,506</b>

**c) Market risk**

**Foreign exchange risk**

The Group is subject to fluctuations in exchange rates on its net investments overseas and transactional monetary assets and liabilities not denominated in the operating (or “functional”) currency of the operating unit involved.

The Group is exposed to fluctuations in several currencies which give rise to the net currency gains and losses recognised in the income statement.

The Group at its discretion is empowered to hedge its estimated foreign currency exposure in respect of forecast sales and purchases if the Board deems it appropriate after having taken into account the expected movement in the foreign exchange rates. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the foreign exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

In respect of other monetary assets and liabilities held in currencies, the Group ensures that the net exposure is eliminated through the use of forward exchange contracts or spot transactions at the time the contractual commitment is in place.

The table below profiles the financial assets and liabilities that are receivable / (payable) in currencies which are not the functional currency of the entity concerned. Because of this, the figures do not represent an analysis of the whole balance as shown in the Group balance sheet.

	<b>US Dollar £'000</b>	<b>2008 Euro £'000</b>	<b>Total £'000</b>
Trade receivables ... ..	<b>8,215</b>	<b>1,641</b>	<b>9,856</b>
Cash and cash equivalents ... ..	<b>24</b>	<b>92</b>	<b>116</b>
Bank overdrafts ... ..	<b>(304)</b>	<b>(636)</b>	<b>(940)</b>
Trade payables ... ..	<b>(253)</b>	<b>(669)</b>	<b>(922)</b>
	<b>7,682</b>	<b>428</b>	<b>8,110</b>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**20. Financial risk management** (continued)

**c) Market risk** (continued)

	US Dollar £'000	2007 Euro £'000	Total £'000
Trade and other receivables ... ..	6,762	1,567	8,329
Cash and cash equivalents ... ..	-	-	-
Bank overdrafts ... ..	-	(1,664)	(1,664)
Trade payables ... ..	(95)	(330)	(425)
	<u>6,667</u>	<u>(427)</u>	<u>(6,240)</u>

The following significant exchange rates applied during the year:

	<b>Average Exchange rate</b>		<b>Reporting date spot rate</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
US Dollar ... ..	<b>2.0074</b>	1.9105	<b>1.9846</b>	1.9996
Euro ... ..	<b>1.4024</b>	1.4778	<b>1.2748</b>	1.4653

**Commodity risk**

The Group is subject to fluctuations in its raw material prices. The Group manages this risk by sourcing products competitively and where possible by securing down payments from customers which allows the Group to crystallise prices with suppliers.

**Interest rate risk**

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. The Group is aware of the financial products available to ensure against adverse movements in interest rates. Formal reviews are undertaken to determine whether such instruments are appropriate for the Group. During the year, the Group took out £Nil (2007: £10 million) of interest rate swaps which caps the company borrowing rate on this level of borrowings to an average of 6.28%.

The table below shows the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

	<b>2008</b>			
	<b>Fixed rate £'000</b>	<b>Floating rate £'000</b>	<b>Non-interest bearing £'000</b>	<b>Total £'000</b>
Cash and cash equivalents ... ..	-	<b>1,812</b>	-	<b>1,812</b>
Trade and other receivables (incl. derivatives) ...	-	-	<b>20,510</b>	<b>20,510</b>
Trade and other payables (incl. derivatives) ...	-	-	<b>(25,425)</b>	<b>(25,425)</b>
Bank overdrafts ... ..	-	<b>(1,532)</b>	-	<b>(1,532)</b>
Bank loans (before the impact of interest rate swaps)	-	<b>(2,583)</b>	-	<b>(2,583)</b>
Financial lease liabilities ... ..	<b>(574)</b>	<b>(222)</b>	-	<b>(796)</b>
	<u><b>(574)</b></u>	<u><b>(2,525)</b></u>	<u><b>(4,915)</b></u>	<u><b>(8,014)</b></u>

	<b>2007</b>			
	<b>Fixed rate £'000</b>	<b>Floating rate £'000</b>	<b>Non-interest bearing £'000</b>	<b>Total £'000</b>
Cash and cash equivalents ... ..	-	412	-	412
Trade and other receivables (incl. derivatives) ...	-	-	16,941	16,941
Trade and other payables ... ..	-	-	(16,598)	(16,598)
Bank overdrafts ... ..	-	(2,493)	-	(2,493)
Bank loans (before the impact of interest rate swaps)	(639)	(5,000)	-	(5,639)
Finance lease liabilities ... ..	(520)	(747)	-	(1,267)
	<u>(1,159)</u>	<u>(7,228)</u>	<u>343</u>	<u>(8,644)</u>

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 20. Financial risk management *(continued)*

#### d) Capital management

The Group's main objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group aims to maintain a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it with regard to the risks inherent in the business and in light of changes to economic conditions.

Capital is managed by maximising retained profits. Working capital is managed in order to generate maximum conversion of these profits into cash and cash equivalents and dividends are paid from current year profits, thereby maintaining capital.

The policy for debt is to ensure a smooth debt maturity profile with the objective of ensuring continuity of funding.

Capital includes share capital, translation reserve, cash flow hedge reserve, net debt and retained earnings reserve. Net debt includes short and long term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

#### e) Derivative financial instruments

The Group utilises currency derivatives to hedge future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

##### *Forecast transactions*

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The nominal value of forward exchange contracts used as hedges of forecast transactions at 30th April 2008 was US \$87 million and €1.63 million (*2007: US \$11.02 million and €0.45 million*), fair value of these at 30th April 2008 was a liability of £1.12 million (*2007: an asset of £0.84 million*).

##### *Recognised assets and liabilities*

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value and the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of administrative expenses.

#### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £10 million (*2007: £10 million*) fix interest payments at a maximum interest rate of 6.28% (*2007: 6.28%*) for a nominal £10 million up to October 2011 which then reduces to a nominal £5 million for a further 5 years to October 2016.

The fair value of swaps entered into at 30th April 2008 is estimated at £40,000 (*2007: £153,000*).

#### Derivative financial instruments

For cash flow hedges the following table sets out the periods when the cash flows are expected to occur and when they are expected to affect profit or loss:

		<b>2008</b>				
		<b>Periods in which cash flows are expected to occur</b>				
		<b>Carrying</b>	<b>Expected</b>	<b>Within</b>	<b>Between</b>	<b>Over</b>
		<b>amount</b>	<b>cash flow</b>	<b>1 year</b>	<b>1 and</b>	<b>5 years</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>5 years</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Forward exchange contracts</b>						
Assets	...	41	44	20	24	-
Liabilities	...	(1,158)	(1,211)	(974)	(237)	-
<b>Interest rate swaps</b>						
Assets	...	38	49	5	23	21
		<u>(1,079)</u>	<u>(1,118)</u>	<u>(949)</u>	<u>(190)</u>	<u>21</u>

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**20. Financial risk management** *(continued)*

**e) Derivative financial instruments** *(continued)*

					2007					
					Periods in which cash flows are expected to occur					
					Carrying amount £'000	Expected cash flow £'000	Within 1 year £'000	Between		Over 5 years £'000
								1 and 5 years £'000	Over 5 years £'000	
<b>Forward exchange contracts</b>										
Assets	...	...	...	...	838	865	865	-		-
<b>Interest rate swaps</b>										
Assets	...	...	...	...	139	188	16	76		96
					<u>977</u>	<u>1,053</u>	<u>881</u>	<u>76</u>		<u>96</u>

The fair value movement in the hedging reserve at 30th April 2008 will be recycled to the income statement at the earlier of maturity or on termination of the contracts.



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**20. Financial risk management** *(continued)*

**e) Derivative financial instruments** *(continued)*

**Sensitivity analysis**

The Group has calculated the following sensitivities based on available data from forward contract markets for the principal foreign currencies in which the Group operates.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Impact on equity</b>		
1% increase in US Dollar fx rate against pound sterling ... ..	(448)	(56)
1% increase in Euro fx rate against pound sterling ... ..	(12)	(3)
1% decrease in US Dollar fx rate against pound sterling ... ..	448	56
1% decrease in Euro fx rate against pound sterling ... ..	12	3
	<u>          </u>	<u>          </u>

**Impact on profit or loss**

1% increase in US Dollar fx rate against pound sterling ... ..	(440)	(297)
1% increase in Euro fx rate against pound sterling ... ..	(39)	(23)
1% decrease in US Dollar fx rate against pound sterling ... ..	440	297
1% decrease in Euro fx rate against pound sterling ... ..	39	23
	<u>          </u>	<u>          </u>

The Group has calculated the following sensitivities based on available data from forward markets for fixed and floating interest rates. Management believe that these reflect the most probable rate movements.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Impact on equity</b>		
Profit from a 1% increase in base rate of interest ... ..	320	351
	<u>          </u>	<u>          </u>
<b>Impact on profit or loss</b>		
Profit from a 1% increase in base rate of interest ... ..	56	70
	<u>          </u>	<u>          </u>

**f) Total financial assets and liabilities**

The table below sets out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 30th April 2008 and 30th April 2007.

	<b>30th April 2008</b>		30th April 2007	
	<b>Carrying amount £'000</b>	<b>Fair value £'000</b>	Carrying amount £'000	Fair value £'000
<b>Financial assets</b>				
Cash and cash equivalents ... ..	<b>1,812</b>	<b>1,812</b>	412	412
<b>Loans and receivables</b>				
Trade receivables ... ..	<b>18,517</b>	<b>18,517</b>	15,229	15,229
Other receivables ... ..	<b>1,839</b>	<b>1,839</b>	523	523
<b>At fair value through profit or loss</b>				
Derivative financial assets not designated in a cash flow hedge relationship ... ..	<b>75</b>	<b>75</b>	212	212
<b>Designated cash flow hedge relationships</b>				
Derivative financial assets designated and effective as cash flow hedging instruments	<b>79</b>	<b>79</b>	977	977
<b>Total financial assets...</b> ... ..	<b><u>22,322</u></b>	<b><u>22,322</u></b>	<u>17,353</u>	<u>17,353</u>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**20. Financial risk management** (continued)

**f) Total financial assets and liabilities** (continued)

**Financial liabilities at amortised cost**

	30th April 2008		30th April 2007	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade payables ... ..	13,229	13,229	10,681	10,681
Other payables (current) ... ..	10,323	10,323	5,917	5,917
Deferred consideration ... ..	1,607	1,607	1,509	1,509
Finance lease liabilities ... ..	796	796	1,267	1,267
Bank loans ... ..	2,583	2,583	5,639	5,639

**At fair value through profit or loss**

Derivative financial liabilities not designated in a cash flow hedge relationship ... ..	715	715	-	-
--	-----	-----	---	---

**Designated cash flow hedge relationships**

Derivative financial liabilities designated and effective as cash flow hedging instruments	1,158	1,158	-	-
--	-------	-------	---	---

<b>Total financial liabilities</b> ... ..	<b>30,411</b>	<b>30,411</b>	25,013	25,013
---	---------------	---------------	--------	--------

Under IAS 39, all derivative financial instruments not in a hedge relationship are classified as derivatives at fair value through profit or loss. The Group does not use derivatives for speculative purposes. All transactions in derivative financial instruments are underpinned by firm orders from customers or to suppliers or where there is a high degree of certainty that orders will be received.

For short term cash and cash equivalents trade and other receivables trade and other payables and floating rate borrowings, the fair values are the same as carrying value. For fixed rate borrowings, forward currency contracts and interest rate instruments fair values have been calculated by discounting the cash flows as prevailing appropriate market rates. Other assets reflect management's estimate of value on an appropriate basis.

**21. Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings £'000	Other £'000	Total 2008 £'000	Total 2007 £'000
Less than one year ... ..	21	-	21	50
Between one and five years ... ..	-	-	-	21
	<u>21</u>	<u>-</u>	<u>21</u>	<u>71</u>

**22. Capital commitments**

Capital commitments at 30th April 2008 for which no provision has been made in these financial statements were £855,000 relating to fixed asset expenditure within our Brazilian company. See note 26 to the accounts for the capitalisation of this Company prior to the financial year end (2007: £1.1 million).

**23. Guarantees and contingencies**

Year ended	Total £'000	Number of contracts
<b>30th April 2008</b> ... ..	<b>9,747</b>	<b>249</b>
30th April 2007 ... ..	6,209	167

The Group enters into guarantee and bond commitments principally in order to secure its contracts.

The Group has never had a bond or guarantee called upon to be paid by our bankers to our customers and we currently have no reason to believe that any bonds will be called upon in the future.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### 24. Subsequent events

On the 30th June 2008, Goodwin PLC acquired 100% of the share capital of SRS Holdings Limited. The total consideration was £6.0 million which comprised an immediate cash payment of £3.2 million and a payment of £2.8 million satisfied by the issue of loan notes to the vendors which are unconditionally repayable in June 2011. The principal activities of SRS Holdings Limited are the making of powders for the investment jewellery casting and the industrial lost wax casting market.

### 25. Accounting estimates and judgements

#### (a) Recoverability of assets / impairment calculations

The Group's directors review the appropriateness of the carrying values of its non-current and current assets.

With regards to the non-current assets, the directors are of the opinion that the goodwill at the year end remains unimpaired as the underlying performance of the subsidiaries giving rise to this goodwill are sufficiently profitable to merit no impairment.

With regard to property, plant and equipment, the directors continually make reference in the directors' report that, in their opinion, the value of the Group's freehold land and buildings is in excess of the values disclosed in the balance sheet. With regard to plant and equipment, the directors consider that the depreciation rates applied are sufficient, taking into account both the expected lifespan of the plant and equipment and also the demand in the marketplace for the goods that the plant produces.

With regard to current assets, the directors look at the carrying values as stated in the balance sheet and make full provision for any assets on which there is a high degree of probability that full conversion of such assets into cash is unlikely.

#### (b) Derivatives

As stated in note 1, under derivative financial instruments and hedging, the Group has applied the provisions of IAS 39 with respect to equity accounting for its effective cash flow hedging on foreign exchange transactions. For the most part, the hedges are underpinned by firm orders and the balance relating to forecast activities are relatively small given the Group's normal order inputs in these currencies. In addition to the foreign exchange hedging the Group has also cash flow hedged an element of its interest rate derivatives.

#### (c) Acquisitions

The Group during the year purchased intellectual property rights and other intangible assets as part of its Brazilian investment. These intangibles at a cost of £594,000 are being amortised over a period of 6 years in line with the expected life of these assets.

In the prior year, the Group acquired a 75% interest in the share capital of Noreva GmbH and also acquired a customer list and plant from a vermiculite supplier. The purchases gave rise to goodwill and other intangible assets as set out in note 11 to the financial statements. In determining the fair value of assets acquired under business combinations, including the valuation of other intangibles a number of estimates are made. These estimates include the expected life spans of the products underpinning the purchases together with the returns expected and the risk attaching to those returns.

Further to the Noreva GmbH acquisition, there is an element of deferred and contingent consideration part of which has a de minimus level which may rise dependant on future profitability. The deferred and contingent consideration has been valued at the minimum level of payments as stated in the Sale Agreement as discounted to present value terms using a discount factor of 6.5%.

#### (d) Deferred taxation

Deferred taxation has been estimated using the best information available, including seeking the opinions of independent experts when applicable.

**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**26. Acquisitions 2008**

**Acquisition of Goldstar Brazil**

During April 2008, the Group purchased a 51% investment in a new company registered in Brazil with a view to expanding the Group's investment powder business.

The company is capitalised at £1.2 million and the Group's interest has been satisfied in cash of £617,000.

**Acquisitions 2007**

**Acquisition of Noreva**

On 22nd March 2007, the Group acquired 75% of the ordinary shares in Noreva GmbH, the company has been consolidated on the basis it is a 100% subsidiary by virtue of there being put and call options in place for the remaining 25% of the share capital of this company. In the one month to 30th April 2007 the subsidiary contributed net profit before tax of £26,000 to the consolidated net profit for the year. If the acquisition had occurred on the first day of the accounting period, Group revenue would have increased by a further £4.5 million and net profit would have increased by £267,000.

								<b>Acquired net assets at the acquisition date</b>		
								<b>Recognised</b>	<b>Fair value</b>	<b>Carrying</b>
								<b>values</b>	<b>adjustments</b>	<b>Amounts</b>
								£'000	£'000	£'000
Brand name	...	...	...	...	...	...	...	–	2,776	2,776
Order book	...	...	...	...	...	...	...	–	127	127
Property plant and equipment	...	...	...	...	...	...	...	654	(18)	636
Inventories	...	...	...	...	...	...	...	2,330	44	2,374
Trade and other receivables	...	...	...	...	...	...	...	927	–	927
Cash and cash equivalents	...	...	...	...	...	...	...	117	–	117
Trade and other payables	...	...	...	...	...	...	...	(2,701)	–	(2,701)
Interest bearing loans and borrowings	...	...	...	...	...	...	...	(905)	–	(905)
Net identifiable assets and liabilities	...	...	...	...	...	...	...	422	2,929	3,351
Purchase consideration – cash	...	...	...	...	...	...	...			2,730
– additional cash consideration	...	...	...	...	...	...	...			145
– deferred consideration	...	...	...	...	...	...	...			779
– contingent consideration	...	...	...	...	...	...	...			730
– costs	...	...	...	...	...	...	...			126
										4,510
Goodwill arising										1,159

The fair value adjustments comprise:

- Adjustments to reflect the valuation of intangible assets
- Adjustments to inventories to reflect net realisable value
- Adjustments to property, plant and equipment to reflect existing use

**Acquisition of brand names, customer list and plant of a vermiculite manufacturer:**

On 2nd November 2006, the Group acquired the brand names, the customer list and certain plant of a vermiculite supplier. The effect of the acquisition is as tabled below:

								<b>Acquired net assets at the acquisition date</b>		
								<b>Recognised</b>	<b>Fair value</b>	<b>Carrying</b>
								<b>values</b>	<b>adjustments</b>	<b>Amounts</b>
								£'000	£'000	£'000
Plant and equipment	...	...	...	...	...	...	...	420	–	420
Brand name and customer list	...	...	...	...	...	...	...	–	880	880
Net identifiable assets and liabilities	...	...	...	...	...	...	...	420	880	1,300
Purchase consideration – cash	...	...	...	...	...	...	...			1,300

Fair value adjustments comprise adjustments to reflect the valuation of intangible assets.

The trade has been integrated into the Group and no separate trading information is available.

# GOODWIN PLC

## COMPANY BALANCE SHEET

At 30th April, 2008

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Intangible assets ... ..	C4	1,870	1,434
Tangible assets ... ..	C5	11,195	9,009
Investments ... ..	C6	7,241	6,518
		<u>20,306</u>	<u>16,961</u>
<b>CURRENT ASSETS</b>			
Debtors ... ..	C7	12,024	9,849
Cash at bank and in hand ... ..		272	502
		<u>12,296</u>	<u>10,351</u>
<b>CREDITORS: amounts falling due within one year</b> ... ..	C8	<u>(11,175)</u>	<u>(9,592)</u>
<b>NET CURRENT ASSETS</b> ... ..		<u>1,121</u>	<u>759</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> ... ..		<u>21,427</u>	<u>17,720</u>
<b>CREDITORS: amounts falling due after more than one year</b> ... ..	C9	(1,607)	(1,627)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b> ... ..	C10	(663)	(653)
<b>NET ASSETS</b> ... ..		<u>19,157</u>	<u>15,440</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital ... ..	C11	720	720
Hedge reserve ... ..	C12	27	97
Profit and loss account ... ..	C12	18,410	14,623
<b>TOTAL SHAREHOLDERS' FUNDS</b> ... ..		<u>19,157</u>	<u>15,440</u>

These financial statements were approved by the board of Directors on 22nd August, 2008 and signed on its behalf by:

J. W. GOODWIN  
Director

R. S. GOODWIN  
Director

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### C1 UK GAAP accounting policies

#### Principal accounting policies

The company has elected to prepare its financial statements under UK GAAP.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

#### Basis of accounting

The financial statements have been prepared under the historical cost accounting rules, except for derivatives which are valued at fair value, and in accordance with applicable Accounting Standards.

The company is exempt under S230(4) Companies Act 1985 from the requirement to present its own profit and loss account.

In accordance with FRS 1, the Company is exempt from preparing its own cash flow statement. In accordance with FRS 8 "Related parties", the Company is exempt from disclosing transactions with its subsidiaries.

The company has adopted the requirements of FRS 29 and has taken the exemption under that standard from disclosure on the grounds that the Group financial statements contain disclosures in compliance with IFRS 7.

#### Investment in subsidiary undertakings

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off for impairment.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Manufacturing rights, brand names and customer lists purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 6 and 15 years.

#### Tangible fixed assets and depreciation

Depreciation is calculated so as to write down the cost of fixed assets to their anticipated residual value over their estimated useful lives. The method of calculation and the annual rates applied are as follows:

Freehold land	...	...	...	...	Nil
Freehold buildings	...	...	...	...	2% or 2½% on cost
Leasehold property	...	...	...	...	Over period of lease on cost
Plant and machinery	...	...	...	...	10% to 25% on reducing balance or 25% on cost
Motor vehicles	...	...	...	...	15% or 25% on reducing balance
Fixtures and fittings	...	...	...	...	25% reducing balance

Assets under the course of construction are not depreciated.

#### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Deferred taxation is not provided on earnings retained in overseas subsidiary undertakings as it is not expected that an actual liability will arise.

#### Leasing

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### Financial Instruments

The Company uses financial instruments to manage financial risks associated with the Group's underlying business activities and the financing of those business activities. The Company does not undertake any trading in financial instruments.

Derivatives are initially recognised at fair value on the date that the contract is entered into and subsequently re-measured in future periods at their fair value. The method of recognising the resulting change in fair value is dependent on whether the derivative is designated as a hedging instrument.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swaps at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties. Where appropriate, the Company accounts for the fair value of its interest rate derivatives through a cash flow hedge.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Any gain or loss on translation arising from a movement in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**C2 Profit for the financial year**

The Company's profit for the financial year was £5,112,000 (2007: £4,945,000).

Included in profit before taxation are the following:

Fees receivable by the auditors and their associates in respect of:	<b>2008</b>	2007
	<b>£'000</b>	£'000
Audit of these financial statements ... ..	<b>14</b>	17

**C3 Staff numbers and costs (including directors)**

Details of directors' remuneration are set out in the directors' remuneration report on pages 7 and 8.

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2008</b>	2007
Administration ... ..	<b>36</b>	35
The aggregate payroll costs of these persons were as follows:		
	<b>£'000</b>	£'000
Wages and salaries ... ..	<b>1,750</b>	1,482
Social security costs ... ..	<b>209</b>	177
Other pension costs ... ..	<b>22</b>	11
	<b>1,981</b>	1,670

**C4 Intangible fixed assets**

	<b>Brand Name and customer list £'000</b>	<b>Intellectual Manufacturing rights £'000</b>	<b>Intellectual Property Rights &amp; non compete £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At beginning of year	880	600	–	1,480
Additions ... ..	–	–	594	594
At end of year	880	600	594	2,074
<b>Amortisation</b>				
At beginning of year	46	–	–	46
Charged in year ... ..	110	39	9	158
At end of year	156	39	9	204
<b>Net book value</b>				
<b>At 30th April 2008</b> ... ..	<b>724</b>	<b>561</b>	<b>585</b>	<b>1,870</b>
At 30th April 2007 ... ..	834	600	–	1,434

During the year, the company acquired the manufacturing rights, title to the recipes and a non compete agreement from an Investment Powder company in Brazil.

The brand name and customer list reflects the purchase of an intangible asset to assist an existing manufacturing process at one of the Group's subsidiaries. The intellectual manufacturing rights reflect the payment for an irrevocable licence for the Goodwin Group to manufacture the Noreva range of nozzle check valves in the UK. These rights will be amortised over 15 years in line with the expected life of the asset with appropriate royalties being charged to the UK subsidiary on the manufacturing of the valves. The intangible asset being in effect an inter company transaction does not feature in the Group accounts as an intangible asset.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

<b>C5 Fixed assets</b>		<b>Freehold land and buildings £'000</b>	<b>Short leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Assets in course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>							
At beginning of year	...	3,860	35	6,421	970	1,050	12,336
Additions	... ..	2,250	-	506	170	-	2,926
Reclassification	... ..	630	-	420	-	(1,050)	-
Inter Company transfers	... ..	-	-	53	-	-	53
Disposals	... ..	-	-	-	-	-	-
At end of year	... ..	<u>6,740</u>	<u>35</u>	<u>7,400</u>	<u>1,140</u>	<u>-</u>	<u>15,315</u>
<b>Depreciation</b>							
At beginning of year	...	633	22	1,976	696	-	3,327
Charge for year	... ..	93	-	597	103	-	793
Disposals	... ..	-	-	-	-	-	-
At end of year	... ..	<u>726</u>	<u>22</u>	<u>2,573</u>	<u>799</u>	<u>-</u>	<u>4,120</u>
<b>Net book value At 30th April 2008</b>	... ..	<b><u>6,014</u></b>	<b><u>13</u></b>	<b><u>4,827</u></b>	<b><u>341</u></b>	<b><u>-</u></b>	<b><u>11,195</u></b>
At 30th April 2007	... ..	<u>3,227</u>	<u>13</u>	<u>4,445</u>	<u>274</u>	<u>1,050</u>	<u>9,009</u>

The above net book value includes £708,000 (2007: £776,000) of assets held under finance leases. Depreciation in the year on these assets was £68,000. (2007: £75,000).

<b>C6 Fixed asset investments</b>		<b>Shares in Group undertakings £'000</b>	
<b>Cost and net book value</b>			
At beginning of year	... ..	...	6,518
Additions	... ..	...	723
<b>At end of year...</b>	... ..	...	<b><u>7,241</u></b>

The additions during the year represented additional investments in Noreva GmbH and the investment in a new company in Brazil (see notes 25 and 26 in the Group accounts). A list of principal subsidiaries is given in note 12 of the Group accounts.

<b>C7 Debtors</b>		<b>2008 £'000</b>	<b>2007 £'000</b>
Amounts owed by Group undertakings	... ..	9,144	8,552
Other debtors	... ..	586	151
Inter Group derivatives	... ..	1,002	-
Corporation tax	... ..	1,100	743
Derivative valuations	... ..	93	366
Prepayments and accrued income	... ..	99	37
		<u>12,024</u>	<u>9,849</u>

<b>C8 Creditors: amounts falling due within one year</b>		<b>2008 £'000</b>	<b>2007 £'000</b>
Bank loans and overdrafts	... ..	4,874	7,507
Obligations under finance leases and hire purchase contracts (see note C5)	... ..	105	216
Amounts owed to Group undertakings	... ..	1,635	440
Other taxation and social security	... ..	120	114
Inter-group derivatives	... ..	-	95
Derivative valuations	... ..	1,468	-
Accruals and deferred income	... ..	2,973	1,220
		<u>11,175</u>	<u>9,592</u>

Obligations under finance leases are secured on the assets to which they relate.

<b>C9 Creditors: amounts falling due after more than one year</b>		<b>2008 £'000</b>	<b>2007 £'000</b>
Obligations under finance leases and hire purchase contracts	... ..	-	118
Deferred consideration on acquisition of subsidiary	... ..	1,607	1,509
		<u>1,607</u>	<u>1,627</u>



**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

**C10 Provisions for liabilities**

<b>Deferred taxation</b>	<b>£'000</b>
At beginning of year ... ..	653
Charge to the profit and loss for the year ... ..	40
Credit to statement of total recognised gains and losses ... ..	(30)
<b>At end of year</b> ... ..	<b>663</b>

The elements of deferred taxation are as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Difference between accumulated depreciation and amortisation and capital allowances ... ..	<b>652</b>	611
Taxation on cash flow hedge movement ... ..	<b>11</b>	42
	<b>663</b>	653

**C11 Called up share capital**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Authorised, allotted, called up and fully paid:</b>		
7,200,000 ordinary shares of 10p each ... ..	<b>720</b>	720

**C12 Share premium and reserves**

			<b>2008</b>	2007
	<b>Share capital</b>	<b>Hedging reserve</b>	<b>Profit and loss account</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>
			<b>£'000</b>	<b>£'000</b>
At beginning of year ... ..	<b>720</b>	<b>97</b>	<b>14,623</b>	<b>15,440</b>
Profit/(loss) for the year ... ..	-	<b>(70)</b>	<b>5,112</b>	5,042
Dividends ... ..	-	-	<b>(1,325)</b>	(1,100)
At end of year ... ..	<b>720</b>	<b>27</b>	<b>18,410</b>	<b>19,157</b>

**C13 Contingent liabilities**

The Company is jointly and severally liable for value added tax due by other members of the Group amounting to £Nil (2007: £Nil).

During the year, the company continued as a beneficiary of an agreement whereby certain of the company's current and future bank indebtedness are jointly and severally guaranteed by other Group companies with consolidated net assets of £24.8 million (2007: £20.1 million). The contingent liability at 30th April 2008 amounted to £853,000 (2007: £722,000).

**C14 Commitments**

Contracted capital commitments at 30th April 2008 for which no provision has been made in these financial statements, were nil (2007: £1.1 million).

**C15 Subsequent events**

On 30th June 2008, Goodwin PLC acquired 100% of the share capital of SRS Holdings Limited. The total consideration was £6 million which comprised an immediate cash payment of £3.2 million and a payment of £2.8 million satisfied by the issue of loan notes to the vendors which are conditionally repayable in June 2011. The principal activities of SRS Holdings Limited are the making of powders for the investment jewellery casting and the industrial lost wax casting market.

**C16 Dividends**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Final dividends paid during the year in respect of prior years		
18.40p (2007: 15.278p) per qualifying ordinary share ... ..	<b>1,325</b>	1,100

After the balance sheet date dividends of 23.004p per qualifying ordinary share (2007: 18.403p) were proposed by the directors. The dividends totalling £1,656,000 have not been provided for.